



25 Sigourney Street
Hartford CT 06106-5032

STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2001(7)

SPECIAL NOTICE

Sharing Certain Use Tax Revenue With Municipal Agencies

Purpose: This Special Notice explains the application of the statute that allows the Commissioner of Revenue Services to share with municipal agencies a percentage of certain revenue collected by the Department of Revenue Services (DRS) as a result of use tax assessments that are made against purchasers of vessels.

Conn. Gen. Stat. §12-416a was amended in the 2000 legislative session to expand the type of revenues that DRS can share with municipalities to include revenue collected from use tax audit assessments made on vessels under Conn. Gen. Stat. §12-415 and to allow the Commissioner to disclose to a municipality the names and addresses of persons against whom assessments are made and the amount of the tax assessed and collected.

Effective Date: Effective for assessments made on or after July 1, 2000.

Statutory Authority: Conn. Gen. Stat. §12-416a, as amended by 2000 Conn. Pub. Acts 174, §14.

Sharing Certain Use Tax Revenue With Municipal Agencies: Under Conn. Gen. Stat. §12-416a, municipal agencies, by gathering and submitting information about vessels, can assist DRS in identifying persons who may owe Connecticut use tax, and share a portion of the revenue that is collected. Conn. Gen. Stat. §12-416a provides:

The Commissioner of Revenue Services is authorized to pay to a municipal agency an amount not to exceed fifty per cent of the tax actually collected as the result of an assessment made under section 12-415 or 12-416 of the general statutes against the purchaser of a

vessel, as defined in subdivision (24) of section 12-407 of the general statutes, if said commissioner, in the commissioner's sole discretion, determines that information provided by such agency was instrumental in the making of such assessment.

DRS imposes certain requirements, which are explained below, that municipal agencies must follow when submitting information about vessels.

Definition of Vessel: Conn. Gen. Stat. §12-407(24) refers to Conn. Gen. Stat. §15-127 in defining the term *vessel*. Conn. Gen. Stat. §15-127 defines *vessel* to mean "every description of watercraft, other than a seaplane on water, used or capable of being used as a means of transportation on water."

Registration and Taxation of a Vessel that is in Connecticut Waters for 60 Days: Under Conn. Gen. Stat. §15-142, a vessel that is in Connecticut for an aggregate of 60 days or more during the period from May 1 through October 31 must be registered with the Department of Motor Vehicles (DMV). (Conn. Gen. Stat. §15-143(a) provides a list of vessels that are not required to be registered.) A vessel need not be in Connecticut waters for 60 consecutive days for the rule to apply, but only for a total of 60 days between May 1 and October 31.

When a vessel is registered, DMV issues two decals that **must** be prominently displayed on the vessel. Conn. Gen. Stat. §15-144 requires that the registration decals "be displayed on each side of the vessel at the bow in a manner prescribed by the Commissioner of Environmental Protection." (All properly registered vessels should display their decals. Municipal agencies, therefore, should focus their efforts on those vessels that do not display DMV decals.)

The purchaser of a vessel that must be registered in Connecticut must also pay Connecticut sales or use tax on the purchase price of the vessel. The first time the purchaser of a vessel applies to DMV for Connecticut registration, the purchaser must provide proof that sales or use tax has been paid to Connecticut, or to another state, on the purchase price or consideration paid for the transfer of ownership of the vessel. If no sales or use tax has been paid in Connecticut, or sales or use tax has been paid to another state at a rate lower than Connecticut's 6% rate, Connecticut use tax is due. If tax was paid to another state at a rate lower than Connecticut's 6% rate, the use tax due to Connecticut is the difference between the tax paid to the other state and the tax due at the 6% rate, with a credit for tax paid to the other state.

DRS uses the *60-day* rule as a guideline to determine whether a nonresident vessel must be registered with DMV. Connecticut residents owning or renting realty in Connecticut may be subject to tax even if their vessels have been in Connecticut for less than 60 days.

The presence of a vessel in Connecticut waters during the month of October, however, **may** not contribute to establishing use tax liability. Conn. Gen. Stat. §12-413a provides an exemption from use tax for vessels brought into Connecticut exclusively for storage, maintenance, or repair between October 1 and April 30. Therefore, while the presence of a vessel in Connecticut waters during the month of October counts toward the 60-day registration requirement in Conn. Gen. Stat. §15-142, that presence does not subject a vessel to use tax liability if the vessel is in Connecticut **solely** for storage, maintenance, or repair purposes.

Information to be Provided by a Municipal Agency: To be eligible to share a portion of the revenue collected by DRS as a result of a use tax assessment made against the purchaser of an unregistered vessel that is being used or stored in Connecticut, the municipal agency must have provided DRS with information that was *instrumental* in making an assessment. Information that is submitted to DRS must establish that an unregistered vessel was in Connecticut waters for at least 60 days between May 1 and October 31.

The types of information that assist DRS in making an assessment include:

- Photographs or video with camera-produced dates, etc.;

- A police log book;
- An affidavit from an authorized agent of a municipality.

This list is not intended to be exhaustive. DRS reviews all the information it receives and determines its validity.

Procedures for Submitting Information to DRS: A municipal agency wishing to submit information about a vessel must complete **Form AU-497, Unregistered Vessel Sighting Report**, and send it with any information about a vessel to:

Department of Revenue Services
Audit Division – RCA Unit
25 Sigourney Street
Hartford CT 06106

DRS will not consider any information submitted by a municipality that is not accompanied by a properly completed **Form AU-497**. While it may not be possible to supply all the information called for on **Form AU-497**, the more information provided, the better the likelihood of DRS making a successful assessment.

Percentage of Revenue Paid to a Municipal Agency: A municipal agency that provided DRS with information that was instrumental in making a use tax assessment against the purchaser of a vessel not registered in Connecticut is entitled to up to 50% of the use tax revenue **actually collected** by DRS. This does not include any penalties or interest DRS may collect. Once the tax has been **fully collected**, DRS will send the municipality a check for its share of the use tax revenue collected.

When registering a vessel with DMV, in addition to obtaining a decal and providing proof of sales tax paid, a registrant must pay a fee. This annual fee is based on the total footage of the vessel. A municipal agency is **not** entitled to a percentage of the annual fee that is collected by DMV.

Confidentiality: Conn. Gen. Stat. §12-15 prohibits DRS from releasing *return information* to municipalities under most circumstances. **Return information** includes essentially any information that relates to the liability of any person for tax.

Notwithstanding the provisions of Conn. Gen. Stat. §12-15, DRS may disclose to a municipal agency that receives a payment under Conn. Gen. Stat. §12-416a:

- The name and address of the person against whom the assessment is made;
- The amount of the tax actually assessed; and
- The amount of the tax actually collected for which a payment may be made.

Effect on Other Documents: Special Notice 98(5), *Sharing Certain Use Tax Revenue With Municipal Agencies*, is modified and superseded.

Effect of This Document: A Special Notice is a document that announces a new policy or practice in response to changes in State or federal laws or regulations or to judicial decisions. A Special Notice indicates DRS informal interpretation of Connecticut tax law and may be referred to for general guidance by taxpayers or tax practitioners.

SN 2001(7)
Sales and Use Taxes
Revenue Sharing
Issued: 09/28/2001

For Further Information: Please call DRS during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (toll-free within Connecticut), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

Forms and Publications: Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms and publications from the DRS Web site: www.drs.state.ct.us
 - **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu.
 - **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (toll-free within Connecticut) and select **Option 2** from a touch-tone phone.
-